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OPEN MEETING

MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION

DOCKETED

DOCKET CONTROL

TO: THE COMMISSION

DEC 31 2014

2014 DEC 31 PM 12 55

FROM: Utilities Division

DOCKETED BY

DATE: December 31, 2014

ORIGINAL

RE: SULPHUR SPRINGS ELECTRIC COOPERATIVE, INC. - APPLICATION
FOR APPROVAL OF A NEW CONTRACT POWER RATE UNDER
SCHEDULE CP FOR NATURESWEET, USA.
(DOCKET NO. E-01575A-14-0384)

On November 05, 2014, Sulphur Springs Electric Cooperative, Inc. ("SSVEC" or "Cooperative") filed an application for an electric service agreement ("Agreement") with NatureSweet USA, Inc. ("NatureSweet") using Schedule CP ("Contract Power Service"). Schedule CP is available to customers who have a monthly demand in excess of 1,000 kilovolt-ampere ("kVA") and whose rate is then customized based on the cost to serve the customer.

Background

NatureSweet acquired the property formerly used by EuroFresh Inc. when EuroFresh declared bankruptcy. This property is served by a substation built for EuroFresh to serve its approximately 250 acres of greenhouses. All greenhouses are served from a single meter located in the substation ("Bonita Sub") and, under the previous power contract with EuroFresh, the cost of this "dedicated" substation was paid as part of the contract power agreement.

NatureSweet agreed to continue to pay for the "dedicated substation" in the form of an "increased service availability charge" or "ISAC" as they have been operating on Schedule IP ("Industrial Power Service"), that being the most cost-effective non-contract rate available. NatureSweet has requested that SSVEC keep the ISAC format in the power contract for its internal cost accounting. The ISAC will continue until 120 payments have been made over the course of the current use of Schedule IP and the new proposed Agreement.

NatureSweet has been operating under Schedule IP since October 20, 2013. As of December 1, 2014, NatureSweet had made 13 ISAC payments of \$8,675.23 per month, resulting in a remaining ISAC balance of \$928,252.00.

Contract

The term of the proposed Agreement is ten years beginning on the first day of the month following the date in which the Arizona Corporation Commission ("ACC" or "Commission") approves the Agreement. If the Cooperative's service territory is open to electric competition ("open access"), NatureSweet has the right to terminate the Agreement at any time to obtain direct access service with 180 days prior notice. At the end of the ten year initial term, subject to mutual

THE COMMISSION

December 31, 2014

Page 2

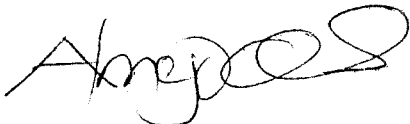
agreement of both parties, this Agreement will continue on an annual basis until either party provides a 180 day termination notice.

Under the proposed Agreement, NatureSweet would pay a monthly service charge of \$250; an energy charge of \$0.075 per kWh for the first 400 kWh/kVA and \$0.045 per kWh for all excess kWh/kVA; and a demand charge of \$5.75 per kVA based on the highest 15-minute kVA demand with a minimum demand of 6,000 kVA. NatureSweet would also pay fuel adjustments, the ISAC, and all required taxes and assessments imposed on the sale of electricity.

Beginning with the fifth year of the Agreement, the monthly service charge, energy charge, and demand charge would be indexed to similar charges in Schedule IP. When the ACC increases or decreases such charges on Schedule IP in a rate case, the Agreement charges would also change proportionally.

Using historical consumption data for the most recent twelve months, Staff expects that NatureSweet would pay an average of \$0.1037 per kWh including taxes under the proposed Agreement if the usage remained the same. The Cooperative has indicated that NatureSweet plans on using the greenhouses in a different manner than EuroFresh. If NatureSweet is able to change its load profile, then it could realize additional savings. If NatureSweet's load profile goes unchanged, the proposed Agreement would provide a rate slightly lower than the IP rate. The revenues to be received by SSVEC would cover the Cooperative's marginal cost of providing power.

Staff recommends approval of the proposed Agreement with NatureSweet USA.



for

Steven M. Olea
Director
Utilities Division

SMO:EMV:sms\BES

ORIGINATOR: Eric Van Epps

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP

 Chairman

3 GARY PIERCE

 Commissioner

4 BRENDA BURNS

 Commissioner

5 BOB BURNS

 Commissioner

6 SUSAN BITTER SMITH

 Commissioner

7
8 IN THE MATTER OF THE APPLICATION)
9 OF SULPHUR SPRINGS ELECTRIC)
10 COOPERATIVE, INC. FOR APPROVAL OF)
11 A NEW CONTRACT POWER RATE)
12 UNDER SCHEUDLE CP FOR)
13 NATURESWEET, USA)

DOCKET NO. E-01575A-14-0384

DECISION NO. _____

ORDER

14 Open Meeting

15 January 13 and 14, 2015

16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Sulphur Springs Electric Cooperative, Inc. ("SSVEC" or "Cooperative") is
20 certificated to provide electric service as a public service corporation in the State of Arizona.

21 2. On November 05, 2014, SSVEC filed an application for an electric service agreement
22 ("Agreement") with NatureSweet USA, Inc. ("NatureSweet") using Schedule Contract Power Service
23 ("Schedule CP"). Schedule CP is available to customers who have a monthly demand in excess of
24 1,000 kilovolt-ampere ("kVA") and whose rate is then customized based on the cost to serve the
25 customer.

26 Background

27 3. NatureSweet acquired the property formerly used by EuroFresh Inc. when EuroFresh
28 declared bankruptcy. This property is served by a substation built for EuroFresh to serve its
 ...

1 approximately 250 acres of greenhouses. All greenhouses are served from a single meter located in
2 the substation ("Bonita Sub") and, under the previous power contract with EuroFresh, the cost of this
3 "dedicated" substation was paid as part of the contract power agreement.

4 4. NatureSweet agreed to continue to pay for the "dedicated substation" in the form of
5 an "increased service availability charge" ("ISAC") as they have been operating on Schedule IP
6 ("Industrial Power Service"), that being the most cost-effective non-contract rate available.
7 NatureSweet has requested that SSVEC keep the ISAC format in the power contract for its internal
8 cost accounting. The ISAC will continue until 120 payments have been made over the course of the
9 current use of Schedule IP and the new proposed Agreement.

10 5. NatureSweet has been operating under Schedule IP since October 20, 2013. As of
11 December 1, 2014, NatureSweet had made 13 ISAC payments of \$8,675.23 per month, resulting in a
12 remaining ISAC balance of \$928,252.00.

13 **Contract**

14 6. The term of the proposed Agreement is ten years beginning on the first day of the
15 month following the date on which the Arizona Corporation Commission ("ACC") approves the
16 Agreement. If the Cooperative's service territory is open to electric competition ("open access"),
17 NatureSweet has the right to terminate the Agreement at any time to obtain direct access service with
18 180 days prior notice. At the end of the ten year initial term, subject to mutual agreement of both
19 parties, this Agreement will continue on an annual basis until either party provides a 180 day
20 termination notice.

21 7. Under the proposed Agreement, NatureSweet would pay a monthly service charge of
22 \$250; an energy charge of \$0.075 per kWh for the first 400 kWh/kVA and \$0.045 per kWh for all
23 excess kWh/kVA; and a demand charge of \$5.75 per kVA based on the highest 15-minute kVA
24 demand with a minimum demand of 6,000 kVA. NatureSweet would also pay fuel adjustments, the
25 ISAC, and all required taxes and assessments imposed on the sale of electricity.

26 8. Beginning with the fifth year of the Agreement, the monthly service charge, energy
27 charge, and demand charge would be indexed to similar charges in Schedule IP. When the ACC
28 ...

1 increases or decreases such charges in Schedule IP in a rate case, the Agreement charges would also
2 change proportionately.

3 9. Using historical consumption data for the most recent twelve months, Staff expects
4 that NatureSweet would pay an average of \$0.1037 per kWh including taxes under the proposed
5 Agreement if the usage remained the same. The Cooperative has indicated that NatureSweet plans on
6 using the greenhouses in a different manner than EuroFresh. If NatureSweet is able to change its load
7 profile, then it could realize additional savings. If NatureSweet's load profile goes unchanged, the
8 proposed Agreement would provide a rate slightly lower than the IP rate. The revenues to be received
9 by SSVEC would cover the Cooperative's marginal cost of providing power.

10 10. Staff has recommended approval of the proposed Agreement.

11 CONCLUSIONS OF LAW

12 1. Sulphur Springs Electric Cooperative, Inc. is an Arizona public service corporation
13 within the meaning of Article XV, Section 2, of the Arizona Constitution.

14 2. The Commission has jurisdiction over Sulphur Springs Electric Cooperative, Inc. and
15 over the subject matter of the application.

16 3. The Commission, having reviewed the application and Staff's Memorandum dated
17 December 31, 2014, concludes that it is in the public interest to approve the Agreement between
18 Sulphur Springs Electric Cooperative, Inc. and NatureSweet.

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ORDER

IT IS THEREFORE ORDERED that the proposed Agreement between Sulphur Springs Electric Cooperative, Inc. and NatureSweet USA, Inc. be and hereby is approved.

IT IS FURTHER ORDERED that approval of the Agreement at this time does not guarantee any future rate-making treatment of the Agreement between Sulphur Springs Electric Cooperative, Inc. and NatureSweet.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:EMV:sms\BES

Decision No. _____

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-14-0384

3 Mr. David Bane
4 Key Account Manager
5 SSVEC
6 311 E. Wilcox
7 Sierra Vista, AZ 85635

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
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12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
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